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C O N F I D E N T I A L SECTION 01 OF 02 NEW DELHI 004193

SIPDIS

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TAGS: PREL KDEM MASS IN NP

SUBJECT: GOI WILL ENCOURAGE NEPALESE LEADER TO SHUN MAOISTS

REF: KATHMANDU 1192

Classified By: A/DCM Geoff Pyatt, for Reasons 1.4 (B, D)

¶1. (C) Summary: Joint Secretary (North) Ranjit Rae told A/DCM and Poloff on June 3 that India will caution Nepali Congress leader GP Koirala to avoid allying with the Maoists during his upcoming visit to New Delhi. Following a visit to Kathmandu, Rae worried that the gap between the King and the parties was widening, but suggested that the time was ripe for the GOI and USG to consider the "endgame" for finding a political settlement that would satisfy the monarchy, the parties, and enough Maoists to steer them away from violence and into the political mainstream. End Summary.

Koirala Visit to New Delhi

¶2. (C) Rae said that Koirala's New Delhi visit for medical treatment beginning the weekend of June 3 would include meetings with the Prime Minister, Foreign Minister, MEA officials and opposition leaders. The GOI will emphasize to the former PM the danger of any collaboration with the Maoists, since "they still have guns," and sound out Koirala's views on where the parties could compromise with the King, and what directions to take next. Noting that UML party member Jhalanath Khanal was stopped by HMGN from visiting India this week (reftel), Rae said that he hoped Koirala would be permitted to depart as planned, adding that HMGN was aware of Koirala's plans and GOI interest in his trip.

Political Impasse Grows

¶3. (C) Rae reviewed his impressions from his recent trip to Nepal, commenting that although the gap between the Palace and the parties is widening, the military situation seems to have improved, at least in the Kathmandu area. Although the Maoists have shown themselves unable to prevail against the RNA militarily, the RNA has not made any effort to expand its control from Kathmandu and a few district headquarters. As a result, "official Nepal" is confined to major cities and towns, while the rest of the countryside is subject to control by the Maoists, he stated.

¶4. (C) The political parties are upset by the Palace's appointment of new administrators at all levels of government, Rae reported. The parties fear that the King is using the time before next year's proposed municipal elections to entrench himself in power, ensuring that the administrators involved in conducting the polls will be loyal to him. As a result, the parties will not participate in the elections unless there is first an accommodation with the King to bring the parties into the government, Rae said.

¶5. (C) Rae worried that the deep mutual distrust between the King and the parties was hardening irreversibly. As the gap between them grows, he speculated, the more radical party elements, including the student leaders, will push the parties to adopt a Maoist-aligned agenda calling for a republic. If the parties publicly joined the Maoists against the King, reconciliation with the Palace would be almost impossible. Rae said that the party leaders in Kathmandu had interpreted the GOI decision to release some non-lethal military assistance to the RNA as a sign that India was siding with the King, adding that he had sought to correct that perception in meetings last week. A/DCM expressed concern that the reports of GOI dalliances with Maoist leader Bhatarai risked sending other mistaken signals to Nepal, leading party leaders to conclude that they should throw their lot in with the Maoists. Rae acknowledged that the Palace had spun the reports in this direction, and underlined that a Maoist convergence with the parties would be bad for India.

Consultations on the Future

¶6. (C) Admitting that India's entire Nepal policy was under internal review, Rae suggested that it was time for the US and India to consider an "endgame" to the crisis. We should identify the "broad contours" of a political settlement that could accommodate some of the demands of all sides. Rae speculated that the split in the Maoist leadership and losses against the RNA may have affected their willingness to

compromise, and that we should assess whether significant numbers could be "peeled off" and brought into the political mainstream. He commented that after Koirala's visit the GOI would have a better sense of what policy to follow. A/DCM welcomed the suggestion of consultation on a future settlement, and acknowledged that India's own domestic experience was relevant to the task of bringing Maoist ideologues into the political mainstream. However, experience with other insurgencies, including Punjab, also teaches that some of the Maoists will not be brought into the political process, and must be dealt with as a security/law enforcement problem. In this context, we told Rae that Washington would be interested in the GOI's conclusions.

Comment

¶7. (C) As the GOI rethinks its Nepal policy and seeks a political outcome that could satisfy enough of the actors to end the political crisis and the insurgency, we will need to consult closely to ensure that our positions remain coordinated. The Bhattacharai incident shows how readily uncoordinated actions from one faction of India's pluralistic system can appear to be signals of policy direction. The New Delhi meeting between U/S Burns and FS Saran later in June might be a good opportunity to hear India's views on Nepal's future and share ours.

BLAKE